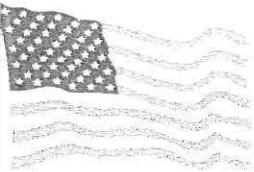




Appalachian Regional Commission

**Inspector General's
Semiannual Report
To Congress**

April 1 – September 30, 2001





October 31, 2001

MEMORANDUM FOR THE FEDERAL CO-CHAIRMAN

SUBJECT: Semiannual Report to Congress

In accordance with the requirements of the Inspector General Act Amendments of 1988, Public Law 100-504, I am pleased to submit the semiannual report of the Office of Inspector General (OIG) for the period April 1 through September 30, 2001.

During this reporting period, 24 reports were issued, including 18 individual grant reviews, 1 grant followup report, 1 program review, 3 J-1 Visa Waiver compliance reviews, and 1 J-1 program review. At the end of the reporting period, 7 grant reviews and 1 program review were in process. Recommendations in grant reviews were directed at improved reporting and eligibility of expenditures. During the reporting period, ARC management continued to emphasize timely followup and review of expired grants. This action resulted in management actions to close out 226 projects and deobligate about \$675,000 during the reporting period. This included deobligation of \$168,267 applicable to 10 projects noted in prior audit reports.

Grant reviews disclosed that projects were generally being implemented in accordance with program requirements and that grantees generally had satisfactory accounting systems and internal controls. Exceptions noted included insufficient documentation of costs, unsatisfactory grantee response to audit requests, and delayed use of grant-related purchases. Questioned or unsupported costs of about \$48,000 and potential deobligations of about \$1 million were identified for followup.


A review of ARC implementation of the Government Performance and Results Act (GPRA) disclosed that the program was being aggressively and effectively implemented. Recommendations were directed at coordination between GPRA and program staff and utilization of available data.

Followup contacts with two basic agencies about the status of open grants resulted in information being provided to ARC on the status of over 100 old grants, and actions are in process to close these grants and recover unused funds where applicable. To date, closeout actions have identified deobligations of \$98,720 from one basic agency.

Surveys of the J-1 Visa Waiver program in three states disclosed that tested physicians were practicing in accordance with program requirements as respects practice location and type of medical services provided. A program review at one location assisted in resolution of issues between the employer and physicians that were impacting the program.

During the reporting period, the IG continued to serve as the representative of the Executive Council on Integrity and Efficiency on the Audit Committee of the President's Council on Integrity and Efficiency and remained active on various issues impacting the OIG community, including an OIG-wide survey of the extent of single audit quality reviews. Also, a survey review was performed at the Denali Commission in line with a Memorandum of Agreement between the Appalachian Regional Commission Inspector General and the Denali Commission Federal Co-Chair.

The continued support of the OIG by ARC management and utilization of OIG reports and recommendations have contributed to improved controls and operations. The Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988, provides that this report be forwarded to appropriate Congressional committees within 30 days and that you provide whatever additional comments you consider appropriate.


Hubert N. Sparks
Inspector General

Enclosure

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EXECUTIVE SUMMARY

During this reporting period, 24 reports were issued, including 18 individual grant reviews, 1 grant followup report, 1 program review, 3 J-1 Visa Waiver compliance reviews, and 1 J-1 program review. At the end of the reporting period, 7 grant reviews and 1 program review were in process. Recommendations in grant reviews were directed at improved reporting and eligibility of expenditures. During the reporting period, ARC management continued to emphasize timely followup and review of expired grants. This action resulted in management actions to close out 226 projects and deobligate about \$675,000 from 97 projects during the reporting period. This included deobligation of \$168,267 applicable to 10 projects noted in prior audit reports.

Grant reviews disclosed that projects were being implemented in accordance with program requirements and that grantees generally had satisfactory accounting systems and internal controls. Exceptions noted included insufficient documentation of costs and delayed use of grant-related purchases. Questioned or unsupported costs of about \$48,000 and potential deobligations of about \$1 million were identified for followup.

A review of ARC implementation of the Government Performance and Results Act (GPRA) disclosed that the program was being aggressively and effectively implemented. Recommendations were directed at coordination between GPRA and program staff and utilization of available data.

Followup contacts with two basic agencies about the status of open grants resulted in information being provided to ARC on the status of over 100 old grants, and actions are in process to close these grants and recover unused funds where applicable. Closeout actions have identified deobligations of \$98,720 from one agency.

Surveys of the J-1 Visa Waiver program in 3 States disclosed that tested physicians were practicing in accordance with program requirements as respects practice location and type of medical services provided. A J-1 review addressed employer/employee concerns that were impacting the program.

During the reporting period, the IG continued to serve as the Executive Council on Integrity and Efficiency representative on the Audit Committee of the President's Council on Integrity and Efficiency, and remained active on various issues impacting the OIG community, including an OIG-wide survey on extent of single audit quality reviews. Also a survey review of the Denali Commission was completed in accordance with a Memorandum of Agreement between the ARC OIG and the Denali Commission Federal Co-Chair.

PURPOSE AND REQUIREMENTS OF THE OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT

The Inspector General Act of 1978 requires the IG to keep the Federal Co-Chairman and Congress fully and currently informed about problems and deficiencies in the Commission's operations and the necessity for corrective action. In addition, the Act specifies that semiannual reports will be provided to the Co-Chairman by April 30 and October 31 and to Congress 30 days later.

The Co-Chairman may transmit comments to Congress along with the report but may not change any part of the report. The specific requirements prescribed in the Act, as amended (Public Law 100-504), are listed below.

Reporting Requirements

Section 4(a)(2)	Review of legislation and regulations	Page 8
Section 5(a)(1)	Problems, abuses, and deficiencies	Page 3
Section 5(a)(2)	Recommendations with respect to problems, abuses, and deficiencies	Page 3
Section 5(a)(3)	Prior significant recommendations not yet implemented	*
Section 5(a)(4)	Matters referred to prosecutive authorities	*
Section 5(a)(5) and 6(b)(2)	Summary of instances where information was refused	*
Section 5(a)(6)	Listing of audit reports showing number of reports and dollar value of questioned costs	App A
Section 5(a)(7)	Summary of each particularly significant report	**
Section 5(a)(8)	Statistical table showing number of reports and dollar value of questioned costs	App B
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	App C
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of the reporting period	*
Section 5(a)(11)	Significant revised management decisions	*
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	*

* None.

** See references to Sections 5(a)(1) and 5(a)(2) for discussion of significant reports.

I. INTRODUCTION

The Inspector General Act Amendments of 1988 (P.L. 100-504) provided for the establishment of an Office of Inspector General (OIG) at 30 designated Federal entities, including the ARC. The ARC OIG became operational on October 1, 1989, with the appointment of an IG and provision of budgetary authority for contracted audit and/or investigation activities.

II. BACKGROUND

A. APPALACHIAN REGIONAL COMMISSION

The ARC was established by the Appalachian Regional Development Act of 1965 (P.L. 89-4). The Act authorizes a Federal/State partnership designed to promote long-term economic development on a coordinated regional basis in the 13 Appalachian States. The Commission represents a unique experiment in partnership among the Federal, State, and local levels of Government and between the public and private sectors. It is composed of the Governors of the 13 Appalachian States and a Federal representative who is appointed by the President. The Federal representative serves as the Federal Co-Chairman with the Governors electing one of their number to serve as the States' Co-Chairman.

- Through joint planning and development of regional priorities, ARC funds are used to assist and encourage other public and private resources to address Appalachia's unique needs. Program direction and policy are established by the Commission (ARC Code) by the vote of a majority of the State members and the affirmative vote of the Federal Co-Chairman. Emphasis has been placed on highways, infrastructure development, business enterprise, and human resources programs.
- Administratively, the Office of the Federal Co-Chairman, with a staff of 11, and the Commission, with a staff of 48, are responsible for ARC operations. The States maintain an Office of States' Representative (3 persons) that has primarily liaison responsibilities. All personnel are located in Washington, DC. The Commission staff's administrative expenses, including salaries, are funded jointly by Federal and State funds; the States' Representative staff is funded entirely by the States; and the Federal Office staff is funded entirely from Federal funds.
- The Commission's appropriation for FY 2001 was \$77.4 million. ARC was fully reauthorized by Congress in FY 1999 for the first time since 1982. Also, about \$641 million was appropriated in FY 2001 for carrying out the provisions of section 1069(y) of P.L. 102-240 relating to the construction of, and improvements to, corridors of the Appalachian Development Highway System (ADHS). The funding, which was distributed among the States with unfinished ADHS segments, included about \$390 million for which ARC had allocation authority. The FY 2002 appropriation was not finalized at the time of this report.

- Program funds are distributed to State and local entities in line with an allocation formula intended to provide fair and reasonable distribution of available resources. ARC staff have responsibilities for program development, policy analysis and review, grant development, technical assistance to States, and management and oversight.
- In order to avail itself of Federal agency expertise and administrative capability in certain areas, the ARC often relies on other departments and agencies for program administration, especially with respect to highways and infrastructure projects. For example, the Appalachian Regional Development Act authorizes the Secretary of Transportation to administer the Commission's highway programs. Under this arrangement, the Commission retains responsibility for priorities, highway locations, and fund allocations.

B. OFFICE OF INSPECTOR GENERAL

The ARC OIG is an independent audit and investigation unit. The OIG is headed by an Inspector General who reports directly to the Federal Co-Chairman.

Role and Authority

The Inspector General Act of 1978 (P.L. 95-452), as amended in 1988, states that the IG is responsible for (1) audits and investigations; (2) review of legislation; and (3) recommendation of policies for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, the program and operations of the establishment. In this regard, the IG is responsible for keeping the Federal Co-Chairman and Congress fully informed about the problems and deficiencies in ARC programs and operations and the need for corrective action. The IG has authority to inquire into all ARC programs and activities that are Federally funded. The inquiries may be in the form of audits, surveys, investigations, personnel security checks, or other appropriate methods. The two primary purposes of these inquiries are (1) to assist all levels of ARC management by identifying and reporting problem areas, weaknesses, or deficiencies in procedures, policies, program implementation, and employee conduct and (2) to recommend appropriate corrective actions.

Relationship to Other Principal ARC Offices

The States and the Federal Co-Chairman, acting together as the Commission, establish policies for ARC's programs and its administration. These policies are codified in the ARC Code and implemented by the Commission staff, which is responsible for monitoring project performance and providing technical assistance as needed. The Federal Co-Chairman, as the Federal fiscal officer, is responsible for the proper use and protection of Federal funds, for ensuring compliance with applicable Federal laws and regulations, and for taking appropriate action on conditions needing improvement, including those reported by the OIG. The operations of the OIG neither replace established lines of operating authority nor eliminate the need for the Commission offices to take reasonable measures to protect and enhance the integrity and effectiveness of their operations. All Commission offices are responsible for monitoring and evaluating the programs entrusted to them and reporting information or incidences needing further audit and/or investigation to the IG.

Funding and Staffing

The OIG funding level for FY 2001 was \$468,000. For FY 2001, approximately 29 percent was expended for contract audit services; 57 percent, for salaries and benefits; 7 percent, for travel; and 7 percent, for all other activities (training, equipment, space, supplies, etc.). The requested FY 2002 funding level was \$488,000.

Initial OIG operations included authorization for an Inspector General and a Confidential Assistant. A senior auditor was employed in the latter half of FY 1991; no additional staff have been employed. Grant review activities continue to emphasize use of contracted services (e.g., independent public accounting firms or other OIG offices) supplemented by programmatic and performance reviews directed by OIG staff. Investigative assistance is provided by other OIG offices on an as-needed basis. This approach has been deemed the most appropriate to date in view of the nature of ARC operations and limited resources. However, we would welcome initiatives that would facilitate sharing of investigative resources in order to strengthen this aspect of OIG operations.

III. OIG ACTIVITY

A. AUDITS

During the reporting period, 24 reports were issued, including 18 individual reviews, 1 grant followup review, 3 J-1 Visa Waiver compliance reviews, and 1 programmatic survey. At the end of the reporting period, 1 program review and 7 grant reviews were in process. The division of OIG resources results in audit work being performed by a combination of permanent and contractor staff. Emphasis continues to be placed on surveys of ARC operations and programs, completion of grant audits, audit planning, and audit resolution and followup.

During the term of the OIG operations at ARC, various recommendations, based on audit testing, have been made to ARC management with respect to improving operations in such areas as accountability, financial management, fund obligations and deobligations based on project activity, implementation of cost principles, and audit followup. Programmatic issues, with respect to grant administration, project results, and internal control systems, have been addressed.

OIG followup tests and reviews of statistical information have reflected positive ARC actions to address these issues and resulting improvements in program operations. For example, timely use of funds and project closings continue to be emphasized; and the number of funded projects with large unobligated balances has been substantially reduced. ARC conferences, training, and seminars continue to emphasize accountability, financial management systems, and allowable costs. Additionally, ongoing ARC actions, such as revisions of accounting systems and service agreements; strategic planning, including assessment of appropriate internal and external performance measures; and issuance of revised policies and procedures and guidance to grantees, are in line with OIG recommendations and executive and legislative initiatives to improve Government operations.

Grant reviews disclosed that projects were being implemented in accordance with program requirements and grant agreements. Emphasis was placed on testing the eligibility of expenditures, availability of matching contributions, and achievement of grant objectives. Exceptions were noted in isolated instances with respect to untimely use of grant purchases, expenditure of funds after the

expiration of the grant period, revisions of budgets without obtaining required approval, travel claims, support for expenditures, and purchases not included in budget. Questioned costs approximated \$38,000; and potential deobligations for use on other projects approximated several million dollars.

In the area of project closeouts, ARC continued aggressive efforts to ensure timely followup and project closings; and during the reporting period, actions included 226 project closings with about \$675,000 in deobligations that can be utilized for additional projects. These actions included deobligations of \$168,267 for 10 grants noted in our report issued during the prior reporting period.

This OIG followup report, issued during this reporting period, identified 75 open grants with expiration dates prior to June 30, 2001, that contained balances approximating \$4 million. This included 20 grants with balances of \$1.9 million for which no drawdowns had been initiated as of September 30, 2001, and 12 grants with balances of \$1.2 million for which drawdowns of less than 50 percent had occurred. Recommendations were directed at followup on these cases.

We also commented on 82 additional open grants for which the performance period expired between June 30 and September 30, 2001. We recognize that closing actions, including receipt and review of final reports, often preclude grant closings prior to the end of the grant period but included these grants for followup action, especially the 14 grants with no drawdowns as of the end of the grant period.

Overall, continuing ARC actions have resulted in substantial reductions of the period between project performance expiration and grant closings and/or project extensions. For example, we noted only 12 open grants with zero or less than 50-percent drawdowns for which project expiration dates were prior to April 1, 2001.

With respect to the 94 unduplicated open grants noted in our prior review, closing actions were initiated in 61 cases, with deobligations of \$947,818 in 37 cases. This included 10 closings during this reporting period, with deobligations of \$168,267. Additionally, the performance periods were extended in 25 other cases; and progress payments were noted in several other cases. Consequently, timely action was initiated on most of the cases noted in our report; and outstanding obligations were substantially reduced. Such action reflects continued management attention to this area, including the timely availability of funds for use in other projects. We noted that, in 17 of 25 cases with extended performance periods, the revised performance period had expired and the grants remained open.

Continued emphasis should be placed on followup on grants for which little activity is noted prior to the end of the performance period in order to ascertain the reasons for the condition and identify the potential for corrective and/or timely action. Such emphasis is particularly applicable to grants for which no or limited drawdowns have been made during the grant period. Also, followup on grants for which extended performance periods have expired should be emphasized.

A review of ARC implementation of the Government Performance and Results Act (GPRA) concluded that ARC, in coordination with its 13 State partners, was effectively and aggressively pursuing implementation of the Act requirements and intents. Since the passage of the Act, ARC actions have included prioritization of GPRA by establishment of a unit devoted to GPRA activities, development of mission statement, strategic plan, annual plans, and annual performance reports.

Specific strategies, initiatives, and performance measures have been developed for the five goals identified in its strategic plan; implementation guidance has been issued; and monitoring and evaluation activities include on-site project visits to verify results, studies of similar-type projects to identify results and best practices, and tracking of expectations and results through the management information system (MIS). These efforts were considered noteworthy and highlighted management's GPRA priority considering the limited resources available to ARC and the need for cooperation and coordination among the 13 State partners whose specific priorities are often not similar.

As a result, we also noted States have developed strategic plans that are generally consistent with the overall ARC plans. Also, grant applications generally contain measurable and quantitative information regarding project results.

Recommendations were made in several areas, including the expansion of performance measures beyond the standard OMB listing in order to accommodate and capture the variety of outputs and outcomes identified in project files. This would also allow for a larger variation between expected and reported outputs and outcomes. With respect to GPRA oversight and coordination, recommendations dealt with revisions to the MIS to enhance its use as a tool to assess expected and actual results, provision for project feedback as to results several years subsequent to project completion, and increased qualitative evaluations of results during on-site verification visits. Although GPRA and program staff periodically meet to discuss the program and results of oversight and studies, we recommended increased coordination, including lessons-learned sessions, identification of a project manager for each goal area, and increased use of research reports as a management tool by ARC, State, and local partners. The research reports reviewed contained valuable information with respect to the planning, managing, coordinating, monitoring, and reviewing of projects and identified methods and models to measure project impacts.

As a result of one grant review, we recommended that additional funds not be provided to the grantee pending receipt of information requested as a result of our review. The extent of questioned costs, if any, related to a \$100,000 grant for a tourism project could not be identified during our review; and requests for additional information with respect to expenditures and organizational alignments were not answered. Since the project was essentially completed as required, we emphasized, at this time, actions with respect to future requests while awaiting a response to these requests.

In another instance, we questioned \$28,000 of a \$100,000 grant because training was provided to ineligible applicants and emphasis was placed on training courses that were not recommended by ARC. Also, we noted that two primary grant objectives were not achieved and recommended increased communications between the grantee, State, and ARC officials during the grant period to ensure actions are consistent with grant intents.

In one instance involving a \$200,000 grant to a Board of Education to install an interactive telecommunications network in five high schools, our review disclosed that the equipment was delivered in August 1998; but, as of April 2001, the majority of equipment was not being utilized pending cable installation and agreement on usage fees. Such delays restrict achievement of project objectives and adversely impact other project aspects, such as obviating equipment warranties and possibly restricting utilization of the latest technologies. The grantee hoped to achieve resolution of usage fees with the phone company, obtain bids from cable installation contractors, and find an alternative organization to implement the grant. We have included this review primarily because a similar-type condition was reported in our prior semiannual report. Our recommendations included

emphasizing that grants for high technology projects include controls to coordinate equipment purchases with resolution of issues necessary to ensure timely utilization of equipment.

Our review of a \$600,000 grant to a development corporation to provide assistance with renovation of a local industrial site disclosed that, although the funds were expended for the purposes intended, the primary site occupant ceased operations; and grant objectives to retain and create employment opportunities were not achieved. The ARC funds were part of \$3.2 million in Federal contributions, and our recommendation was directed at actions to ensure utilization of the renovated property.

The OIG continued to support ARC's initiative to close ARC grants administered by other Federal agencies. Followup actions were initiated with two agencies where available information indicated project completion in over 100 cases. Information was received, and ARC is processing closings and identifying fund availability. Closeout actions to date have identified deobligations of \$98,720 from one basic agency.

During this period, we performed 3 compliance surveys in connection with the J-1 Visa Waiver program in 3 States. ARC participates as a Federal entity sponsor to assist Appalachian region communities in providing health care services to medically underserved areas. The program provides a waiver of the requirement for a foreign physician to return to his/her home country after completion of medical training in the United States. ARC acts as the interested Government agency within the Appalachian region, with waivers being approved by the US Department of State and the Immigration and Naturalization Service based on ARC recommendations.

Continued emphasis was placed on testing first-time program participants in order to determine and evaluate the extent of knowledge and understanding of program procedures and requirements.

At the conclusion of the audit period, 7 grant reviews and 1 program review, dealing with the agency's use of travel and purchase cards, were in process. With respect to one grant, we provided technical assistance to a grantee in order to resolve a budget and accounting problem that resulted in expenditures in excess of grant amounts. As a result, the State agency absorbed the additional amounts and internal controls and reporting improvements between the State agency and grantee were implemented.

B. INVESTIGATIONS

The Inspector General Act of 1978, as amended, provides that the IG may receive and investigate complaints or information concerning the possible existence of an activity constituting a violation of law, rules, or regulations; mismanagement; gross waste of funds; or abuse of authority. The OIG does not employ criminal investigators. Should the need arise, the matter would be referred to the Federal Bureau of Investigation or assistance would be contracted with another Federal OIG. Also, the results of investigations may be referred to the appropriate Federal, State, or local prosecutive authorities for action. The OIG has initiated followup with respect to the J-1 Visa Waiver program, with emphasis on ensuring participating physicians are practicing at assigned locations.

IV. AUDIT PLANNING

The OIG will be alert for new or revised areas of ARC operations based on the priorities and emphasis of ARC management, including results of strategic planning initiatives. Audit planning will include consideration of such initiatives with the overall goal being to ensure coverage of high priority, including high dollar, areas in order to assist management to fulfill their responsibilities for effective and efficient program operations.

Of particular importance is maintaining the flexibility of the audit plan to address changing needs and priorities. Coordination with ongoing ARC efforts to implement an entity-wide strategic plan is considered an important element of planning, and discussions with ARC management have identified several areas for review.

The OIG's strategies and objectives for the next 5 years are defined in a strategic plan. The FY 2001 Annual Plan provides the operational details for OIG activities planned during FY 2001 to implement this strategic plan. We expect to revise this strategic plan periodically until our experiences validate our planning assumptions and we have achieved a comfort level with how we have programmed activities over this extended time period.

Planned FY 2002 audit work includes about 40 individual grant audits in the Appalachian States; additional followup on grants with completed budget periods, grant extensions, and project results; and tests of the J-1 Visa Waiver program. Continued emphasis will be placed on audit followup and corrective action plans, including working with agency management to address open issues and achieve audit resolution and closure.

In order to maximize use of available resources directed at reviewing ARC activities, emphasis will continue to be placed on nonstandard reporting formats including memorandum, letter, and survey reports. Although such reporting formats reduce the time and resources necessary for review completion, the results and information included in such reports is based on evidence and supporting documentation consistent with generally accepted auditing standards.

V. OIG HOTLINE

A regionwide toll-free hotline was previously established to enable direct and confidential contact with the ARC OIG in line with governmental and longstanding OIG initiatives as identified in the IG Act of 1978 to afford opportunities for identification of areas subject to fraud, waste, or abuse. However, contacts with the ARC OIG relative to public complaints or concerns continue to be primarily received through ARC staff, on regular OIG phone lines, or from other OIG offices. During the reporting period, followup action was initiated on calls identifying concerns with actions by several grantees.

Also, numerous hotline calls were received with respect to matters for which other agencies have jurisdiction. This resulted primarily from the ARC OIG hotline apparently being the first such OIG listing in some telephone directories, resulting in ARC OIG being contacted by citizens who did not know the appropriate agency for handling their concerns. The ARC OIG facilitated the complaint process by identifying the applicable agency based on complainant information and providing the correct OIG hotline number.

VI. LEGISLATIVE AND REGULATORY REVIEW

Primary efforts in this area continued to be related to potential legislative initiatives with respect to OIG operations. The ARC OIG continues to support legislation that would provide improved protections for IGs, including designated and career IGs, by consideration of alternatives such as removal for cause criteria and term limits. During the reporting period, additional legislation impacting IGs was resubmitted; and the IG commented on the various initiatives noted in the proposed legislation. Specifically, the IG concurred with proposals dealing with term limits, reporting to Congress and additional oversight of OIG offices. With respect to the consolidation of some designated OIGs, the IG recommended that such action be deferred pending additional study, including contact and discussion with the applicable OIGs and parent agencies.

VII. OTHER

The Inspector General continued to serve as the Executive Council on Integrity and Efficiency representative on the Audit Committee of the President's Council on Integrity and Efficiency and was involved with issues related to OIG oversight of work performed under the Single Audit Act. During the reporting period, the IG conducted a survey for the PCIE Audit Committee dealing with the extent of Single Audit Quality Control Reviews conducted by the IG community. The information was provided to the Grants Management Committee of the Chief Financial Officers Council for use in deliberations about grant management.

In line with a Memorandum of Agreement with the Denali Commission whereby the ARC OIG provides OIG services to the Denali Commission pending implementation of an OIG, the ARC OIG reviewed Denali Commission operations to date and provided a survey report identifying recommendations to address various issues. During the review, field visits were made to two rural villages to observe projects funded by the Denali Commission and to obtain local feedback about program impact.

APPENDIX A

SCHEDULE OF REPORTS ISSUED APRIL 1 TO SEPTEMBER 30, 2001

Report No.	Entity and Title	Program Dollars or Contract/Grant Amount	Questioned/Unsupported Costs*	Funds to Better Use**
01-10(H)	Hatfield-McCoy Tourism	\$ 100,000	\$ 20,000	
01-16(H)	Southern Rural Health Care Consortium			
01-18(H)	Regional Education Service Agency	400,000		
01-27(H)	ARC GPRA Program			
01-31(H)	Tri-County Community College	154,381		
01-32(H)	Caldwell Community College	200,000		
01-33(H)	Southeast Local Development Corporation	600,000		
01-36(H)	J-1 Visa Waiver Program--Alabama	650,000		
01-37(H)	Jefferson County Board of Education	200,000		\$ 200,000
01-38(H)	North Alabama Science Center	400,000		
01-39(H)	Jefferson State Community College	200,000		
01-40(H)	Birmingham Regional Planning Commission	180,000		
01-42(H)	Fay-Penn Economic Development Council	100,000	28,649	
01-43(H)	South Carolina Manufacturing Partnership	146,900		
01-44(H)	J-1 Visa Waiver Program--Pennsylvania			
01-45(H)	South Carolina Export Consortium	107,533		
01-46(H)	Tennessee Valley Institute Education Project	190,923		
01-47(H)	Jackson County Distance Learning	399,000		
01-48(H)	Georgia Newborn Hearing Screening Project	96,700		
01-49(H)	North Georgia State University Education Project	263,270		
01-50(H)	Appalachian Community Enterprises	198,901		
01-51(H)	Rust College--Certified Systems Program	126,360		48,263
01-55(H)	J-1 Visa Waiver Program--Mississippi			
01-56(H)	Expired Grant Followup	7,000,000		618,000
TOTALS		\$ 11,639,968	\$ 48,649	\$ 866,263

* A cost the Office of Inspector General has questioned because of an alleged violation of law, regulation, contract, or other agreements governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable. Includes required matching contributions.

** Funds the Office of Inspector General has identified in an audit recommendation that could be used more efficiently by reducing outlays, deobligating program or operational funds, avoiding unnecessary expenditures, or taking other efficiency measures, such as timely use of funds.

APPENDIX B

**SCHEDULE OF AUDIT REPORTS WITH
QUESTIONED OR UNSUPPORTED COSTS**

(\$ in thousands)

	<u>No. of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision was made by the commencement of the reporting period	3	\$ 264	\$ -
B. Which were issued during the reporting period	<u>2</u>	<u>\$ 28</u>	<u>\$ 20</u>
Subtotals (A + B)	5	\$ 292	\$ 20
C. For which a management decision was made during the reporting period	3	\$ 264	\$ -
(i) dollar value of disallowed costs	-	\$ -	\$ -
(ii) dollar value of costs not disallowed	3	\$ 264	\$ - <u>1/</u>
D. For which no management decision has been made by the end of the reporting period	2	\$ 28	\$ 20
E. Reports for which no management decision was made within 6 months of issuance	-	-	-

Notes:

1/ Information obtained to support questioned costs, and unused project equipment transferred to another grantee.

APPENDIX C

**SCHEDULE OF AUDIT REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

		<u>No. of Reports</u>	<u>Dollar Value (\$ in thousands)</u>
A.	For which no management decision was made by the commencement of the reporting period	2	\$ 2,600 <u>1/</u>
B.	Which were issued during the reporting period	<u>3</u>	\$ 866
	Subtotals (A + B)	5	\$ 3,466
C.	For which a management decision was made during the reporting period	2	\$ 1,300
	(i) dollar value of recommendations that were agreed to by management	1	\$ 168 <u>2/</u>
	--based on proposed management action	1	\$ 168 <u>2/</u>
	--based on proposed legislative action	-	-
	(ii) dollar value of recommendations that were not agreed to by management	2	\$ 1,132 <u>3/</u>
D.	For which no management decision has been made by the end of the reporting period	2	\$ 248
E.	Reports for which no final management decision was made within 6 months of issuance	1	\$ 1,918 <u>4/</u>

Notes:

1/ Includes fund balances in grants for which on-going followup action is in process to identify potential for closing and deobligation.

2/ Includes deobligations applicable to grants in prior reports. Also, additional actions, including closings and deobligations, based on ARC initiatives are noted in report body.

3/ Includes grants that were included in management review and for which closing actions resulted in final payments based on grantee performance.

4/ Includes open grants included in OIG reports for which a management decision was made to review grants and initiate deobligations as appropriate. Final actions in process.

DEFINITIONS OF TERMS USED

The following definitions apply to terms used in reporting audit statistics:

Questioned Cost	A cost which the Office of Inspector General (OIG) questioned because of an alleged violation of a provision of a law, regulation, contract, or other agreement or document governing the expenditure of funds; such cost is not supported by adequate documentation; or the expenditure of funds for the intended purpose is unnecessary or unreasonable.
Unsupported Cost	A cost which the OIG questioned because the cost was not supported by adequate documentation at the time of the audit.
Disallowed Cost	A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Commission.
Funds Be Put To Better Use	A recommendation made by the OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation.
Management Decision	Management's evaluation of the findings and recommendations included in the audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary. Interim decisions and actions are not considered final management decisions for the purpose of the tables in this report.
Final Action	The completion of all management actions that are described in a management decision with respect to audit findings and recommendations. If management concluded that no actions were necessary, final action occurs when a management decision is issued.